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## Near East and South Asia Review

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**Near East and  
South Asia Review**

25X1

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	<i>Page</i>	
<b>Articles</b>		
<b>Saudi Arabia and the Yemens: Riyadh's Little Nightmare</b>	1	25X1
		25X1
The coup in South Yemen in early January and resulting pressure on President Salih in neighboring North Yemen have heightened Saudi Arabia's longstanding concerns about instability and Soviet influence along its southeastern border while it focuses on the broader threats posed by the soft world oil market and the Iran-Iraq war.		25X1
<b>China's Evolving Strategy in India and Pakistan</b>	5	25X1
		25X1
Since the change of leadership in India in October 1984, China has intensified its efforts to seek a rapprochement with New Delhi. To reassure Pakistan that progress with India will not come at Islamabad's expense, China will continue to demonstrate its friendship and its support for Pakistan's security.		25X1
<b>Nuclear Proliferation in South Asia: Implications for the United States</b>	11	25X1
		25X1
Nuclear weapons in the hands of India and Pakistan would create the danger that a conventional conflict in the subcontinent could escalate into a nuclear war. This could spread to neighboring areas in the Middle East, draw in China and the Soviet Union, and even provoke a global crisis between the United States and the USSR.		25X1
<b>India: Punjab Water-Sharing Issue Sharpens Sikh Dispute</b>	15	25X1
		25X1
Allocation of river water from Punjab is an intractable but little-noticed issue in Sikh differences with New Delhi and neighboring Hindu majority states. New Delhi has appointed a three-man tribunal to apportion the waters, with its decision due in late June.		25X1

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25 April 1986

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**Nepal: Mixing Monarchy and Democracy** 

19

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King Birendra is likely to contain challenges from Nepal's fledgling opposition during the election for the National Assembly this month and gain a modest endorsement for the nonparty system of democracy he controls, but Indian influence will probably increase.



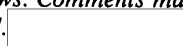
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*Some articles are preliminary views of a subject or speculative, but the contents normally will be coordinated as appropriate with other offices within CIA. Occasionally an article will represent the views of a single analyst; these items will be designated as noncoordinated views. Comments may be directed to the authors, whose phone numbers are listed.*



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## Near East and South Asia Review

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### Articles

#### Saudi Arabia and the Yemens: Riyadh's Little Nightmare

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The coup in South Yemen in early January and resulting pressure on President Salih in neighboring North Yemen have heightened Saudi Arabia's longstanding concerns about instability and Soviet influence along its southeastern border. This problem comes at a time when Riyadh is preoccupied with potentially threatening developments in the Iran-Iraq war and uncertainty in the world oil market. After remaining cool toward the new South Yemeni leaders in the early weeks after the coup, the Saudis are now moving to improve ties. They probably judge that at least correct relations with Aden and the possibility of future Saudi aid will ensure against South Yemeni pressure on Saudi Arabia's southern flank and reduce the chances that Aden will meddle in Oman or North Yemen. Riyadh is uneasy about South Yemen's intentions, particularly since Moscow's influence in Aden apparently remains strong, and the Saudis will be ready to offer low-key support to any viable opposition willing to challenge the new regime.

#### Normalizing Relations With Aden

Embassy reporting in mid-April indicated that the Saudi Government will soon return its Ambassador to South Yemen to monitor developments in Aden. Riyadh sees little to be gained from continuing efforts to isolate the new South Yemeni leadership as long as there is no serious threat from internal or exiled opposition elements. The Saudis announced their intention at the mid-March meeting of the Gulf Cooperation Council after Oman urged the GCC states to normalize relations with the new leaders to encourage moderation in Aden.

#### A Long History of Trouble

Saudi relations with both North and South Yemen have traditionally been uneasy and sometimes

hostile—driven by longstanding border disputes, ideological and tribal rivalries, and significant inroads by Moscow in both countries since the early 1970s. The Saudis fear that instability in either country could work against their interests. The importance Riyadh gives the Yemens is underscored by the fact that Saudi policy toward these two countries is developed and implemented by a special committee under the direction of Defense Minister Sultan for the approval of King Fahd.

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Relations with South Yemen deteriorated significantly after the border war between the Yemens in 1979, which the Saudis saw as evidence of indirect Soviet pressure on North Yemen. Diplomatic relations and Saudi cash assistance to South Yemen evaporated and did not change significantly until 1985 when Saudi Foreign Minister Sa'ud visited in April and the Saudis committed \$30 million in aid for a port project in Aden. Although Riyadh believed President Hasani was less ideological and more willing to improve relations with moderate Arab states than other senior South Yemeni leaders, Embassy reporting after Sa'ud's visit indicates Riyadh feared that more radical, pro-Soviet elements were gaining strength and that the potential for serious instability was growing.

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Relations with North Yemen have been plagued by overlapping territorial claims, Saudi efforts to influence North Yemeni policy, and Sanaa's irritation with its financial dependence on Riyadh. The Saudi's sizable annual subventions to the North Yemeni Government—probably more than \$200 million a year—and worker remittances from the nearly

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NESA NESAR 86-010  
25 April 1986

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1 million North Yemeni workers in the kingdom have helped Riyadh manipulate North Yemeni politics to Saudi advantage. They also have helped limit Sanaa's ties to Moscow and strengthened internal stability in North Yemen. Recent oil discoveries probably will complicate the relationship, holding out the prospect that North Yemen will be less of a drain on the Saudi pocketbook but also less accommodating to Saudi interests and demands. [redacted]

#### **Saudi Reaction to the Coup in South Yemen**

The initial Saudi response to the ouster of South Yemeni President Hasani was confined largely to helping North Yemeni President Salih provide support to Hasani's exile forces and not moving toward accommodation with South Yemen's new hardline leaders. [redacted]

[redacted] Saudi King Fahd sent senior officials to Sanaa several times in the confusing weeks following the shootout in South Yemen. [redacted]

In addition, Riyadh stepped up support to President Salih to stiffen his backbone and strengthen North Yemen against possible military or political spillover from the trouble in Aden. [redacted]

[redacted] At least some of the military aid provided was probably intended to strengthen the North Yemeni military. [redacted]

The Saudis were unwilling to risk more direct military involvement to support Hasani or influence events inside South Yemen. [redacted]

Riyadh initially offered diplomatic support to Hasani to legitimize his claim to leadership and prevent the new South Yemeni leaders from winning diplomatic recognition from other countries. According to the US

Embassy, the Saudis received an envoy from Hasani with considerable publicity and supported him publicly in the Saudi press. They also urged Hasani to send emissaries to other states in the region to seek support. [redacted]

Riyadh also deflected efforts by the new South Yemeni leaders to open a dialogue. [redacted]

#### **Pulling Back From Hasani**

Riyadh now sees little possibility that Hasani can regain control or even mount an effective opposition. According to US officials, the Saudi Government is unwilling to provide significant aid to Hasani unless he can demonstrate that he has enough support inside South Yemen to lead a viable opposition. They are skeptical, moreover, that he can or even will lead such an effort, and the Embassy reports that they are not likely to fund a South Yemeni government in exile.

Saudi willingness to reduce their support for Hasani probably was accelerated by suspicions that North Yemeni President Salih was beginning to hedge his bets. [redacted]

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**Prospects**

Despite their shift in policy, the Saudis are likely to move slowly in expanding diplomatic ties to South Yemen as long as the internal situation remains unsettled and until Aden's regional intentions are clearer:

- They will want to limit the political windfall for South Yemen of the return of the Saudi Ambassador.
- They can hold out the prospect of better relations and possible aid if Aden sticks by its recent commitment to the GCC not to meddle in North Yemen or southern Oman.
- Riyadh will hope to avoid irritating the United States by helping to legitimize a strongly pro-Soviet government in the region.
- Although they recognize the strong pro-Soviet tilt in Aden, the Saudis may hope to dilute Soviet influence.

Both countries, therefore, will remain a strategic headache for Riyadh, which will have to watch them over its shoulder while it focuses on the broader threats to Saudi security posed by uncertainty in the world oil market and the Iran-Iraq war.

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The Saudis will try to impede closer ties between the two Yemens. Any significant political accommodation between the two regimes would raise the specter in Riyadh of much greater Soviet involvement in the peninsula:

- the Saudis are alarmed by what they believe is Salih's willingness to normalize ties to Aden and would suspect a Soviet hand in any reconciliation.
- The Saudis fear that future oil revenues from North Yemen's nascent oil industry will make North Yemen a more attractive target for both South Yemeni and Soviet attention.

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Whatever the outcome of the current instability in Aden, the Saudis probably will continue to view South Yemen as a potential threat to the kingdom. While trying to reach an accommodation with the new leaders, the Saudis will be willing to support discreetly any viable opposition elements to weaken and tie down the South Yemeni Government. The Saudis also will continue to provide substantial support to President Salih in hopes of weakening pro-Soviet elements in his government and stiffening his suspicions about the new South Yemeni leadership.

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## China's Evolving Strategy in India and Pakistan [redacted]

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Since the change of leadership in India in October 1984, China has intensified its efforts to seek a rapprochement with New Delhi. Weakening Soviet influence in India and tempering tensions between India and Pakistan are China's primary goals. Beijing's actions have established a basis, we believe, for gradual improvement in Sino-Indian relations. However, we do not expect early resolution of the border issue—the most serious problem dividing the two countries. To reassure Pakistan that progress with India will not come at Islamabad's expense, China will continue to demonstrate its friendship and its support for Pakistan's security. [redacted]

### China's Response to the Leadership Change in India

China first sought to improve relations with the Desai government of India in 1977, hoping that the Janata Party, which had not received Soviet support in the election, would be more open to Chinese overtures. Beijing's efforts, however, were not successful with either Desai or his successor, Indira Gandhi. Longstanding conflicting political interests as well as differences over the disputed border proved to be key stumbling blocks. [redacted]

After Rajiv Gandhi's succession, Beijing saw a new opportunity to improve Sino-Indian relations.

[redacted] Chinese leaders initially regarded Rajiv Gandhi as more moderate than his mother. They believed he would gradually move India away from the Soviet Union and adopt a more conciliatory attitude toward both the West and China. [redacted]

To encourage this shift, Chinese leaders have made several overtures during the past 18 months:

- China sent a high-level delegation led by Vice Premier Yao Yilin to Indira Gandhi's funeral, signaling the importance of Sino-Indian relations to Beijing.

- Yao invited Rajiv to visit China—an invitation Premier Zhao Ziyang extended again at the United Nations last October.

- China gave in to India's demand that they negotiate a border settlement sector by sector, paving the way for the first substantive discussion since the talks began in 1981. [redacted]

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- Last year Beijing pushed for a trade agreement to increase Sino-Indian trade by working for a more balanced exchange of goods.

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- China proposed that India reopen its consulates in Lhasa and Shanghai in return for the reopening of Chinese offices in Bombay and Calcutta. [redacted]

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China's efforts have met with limited success. India dropped its demand that the border issue be resolved before addressing other matters and signed an agreement with Beijing last November calling for growth in bilateral trade from \$46.7 million in 1984 to \$100-160 million in 1986. At the border talks last year, the two countries reached agreement on such issues as compensation for goods confiscated during the 1962 border conflict. [redacted]

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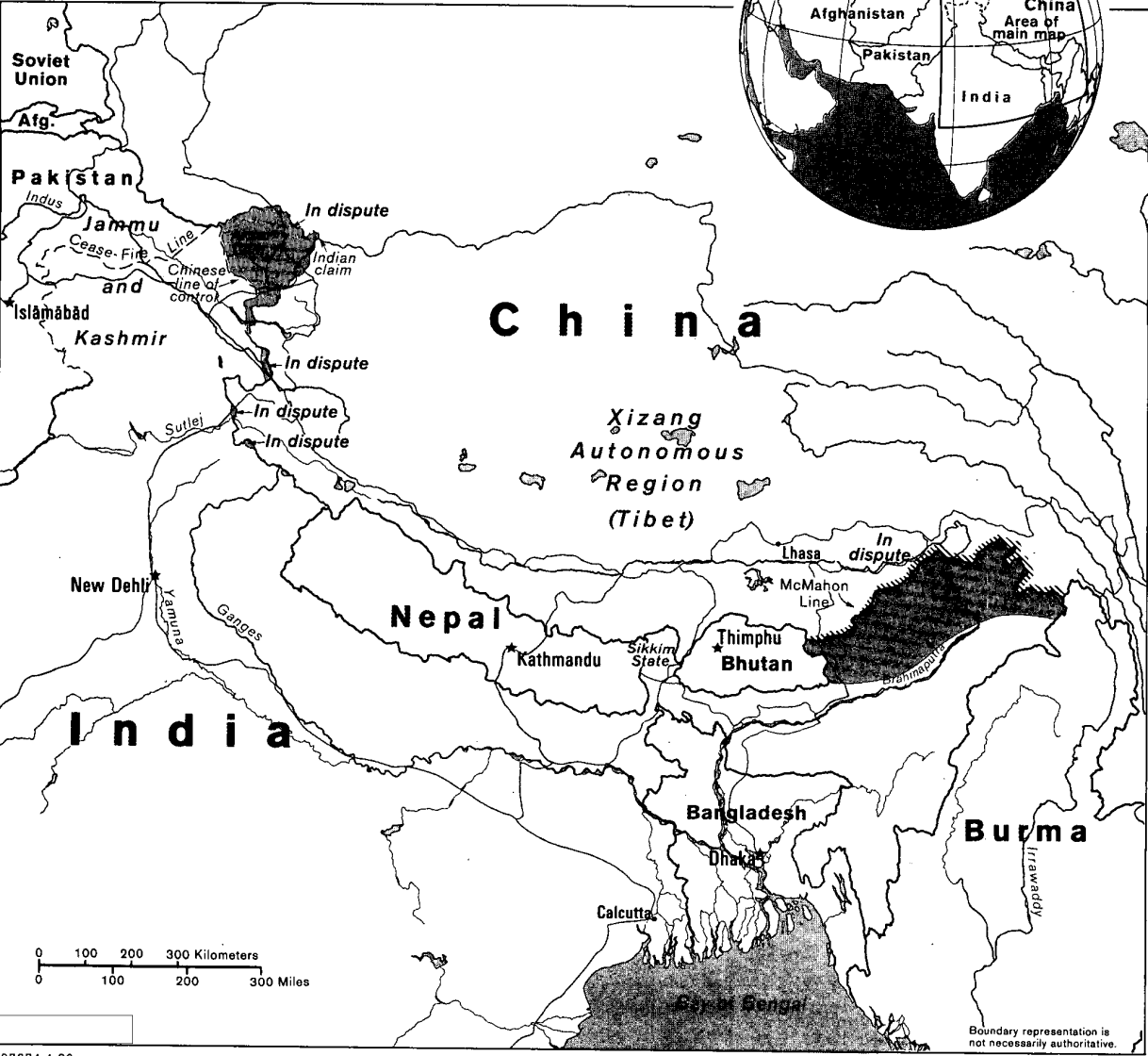
Differences over the border issue are as intractable as ever, reflecting the underlying distrust that exists between the two nations. According to the US Embassy in New Delhi, China had expected India to make concessions in the eastern sector in return for Beijing's earlier agreement to address the border question sector by sector as New Delhi wished. Indian Foreign Ministry officials claimed, however, that the Chinese changed the rules by proposing mutual concessions as the basis for sector-by-sector

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Sino-Indian Border Disputes



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**The Sino-Indian Border Dispute**

*A decade of good relations between China and India came to an end in 1959 as disagreement over the delineation of their 3,380-kilometer common border erupted in clashes between Chinese and Indian border patrols. China had built two roads across Indian territory in Aksai Chin to supply Chinese troops stationed in Tibet. As the Tibetan rebellion flared and the Dalai Lama fled to India, Aksai Chin assumed greater strategic importance to Beijing.*

*To resolve the growing dispute over this area, Prime Minister Zhou Enlai offered in 1959 to recognize India's claim to disputed territory along the eastern border—demarcated by the McMahon Line, imposed on China in 1914 by the British—in exchange for Aksai Chin. Nehru rejected the idea and in 1961 ordered the Indian Army to move forward into Aksai Chin and the territory just north of the McMahon Line, triggering increasing border clashes. The following year China launched a full-scale attack, overrunning poorly equipped Indian forces in both the eastern and western border sectors. One month later Beijing declared a unilateral cease-fire and consolidated its hold over Aksai Chin and adjacent*

*portions of the border but withdrew north of the McMahon Line. Since then China has gradually reduced its forces along the Sino-Indian frontier, and the border has been quiet since Beijing and New Delhi initiated a rapprochement in 1976.*

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*China and India began border negotiations in December 1981. No progress was made during the first three rounds of negotiations as the two sides put forward incompatible proposals. India advocated a sector-by-sector approach, while China again put forward Zhou's suggestion of a territorial swap. Beijing finally acquiesced to India's demand at the fifth round in 1984 on condition that the final agreement be comprehensive. That opened the way for a substantive discussion of their conflicting claims in the eastern sector at the sixth round of talks in November 1985. A stalemate immediately developed, however, when India rebuffed a Chinese proposal of mutual concessions in the eastern sector. Negotiations will probably be held later this year, although a date has not been set. We do not expect significant progress at the next round of border talks.*

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negotiations. As a result, a stalemate has developed, with China maintaining that, as long as India refuses to make concessions in the east, the Chinese will concede nothing in the west. Furthermore, according to foreign affairs officials of both countries, China refused to discuss its borders with Sikkim, which Beijing does not recognize as part of India, or with Kashmir, which Chinese Foreign Ministry officials say must be decided first between India and Pakistan.

Following this refusal, China upset India by agreeing to discuss the Xinjiang-Kashmir border with Pakistan. India protested a meeting in February 1986 of the Sino-Pakistani Joint Boundary Inspection Commission, claiming that China has no boundary with Pakistan since the territory in question is Indian. According to Chinese Foreign Ministry officials,

Beijing has told New Delhi that China considers any resolution in its border discussions with Pakistan to be "temporary" and will discuss the matter with both India and Pakistan once they have resolved the Kashmir dispute.

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Problems with the border issue may slow progress in other areas. Rajiv Gandhi has dropped hints in the Indian press, for example, that he will not schedule a visit to China until there is a significant breakthrough in bilateral relations—by which, we believe, he means Chinese concessions on the border. New Delhi also has indicated it would prefer to see movement on the border issue, according to the US Embassy in New Delhi, before considering the reopening of consulates.

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### *New Delhi's View of Sino-Indian Relations*

*New Delhi is pleased that Sino-Indian relations have gradually improved since 1980. New Delhi, in its view, has taken several steps—initiating border talks with Beijing, improving relations with Washington, and purchasing West European arms—to put distance between itself and the Soviet Union and provide an opening to Beijing. Indira Gandhi took the first steps toward China out of pique with the Soviet policy in Afghanistan and with what she considered unacceptable meddling by Moscow in Indian politics. As the new head of the Nonaligned Movement, she also wished to correct the perception that India was a Soviet proxy.*

*Rajiv Gandhi has changed the style but not the substance of Indian foreign policy—including Sino-Indian relations. He was pleased with his meeting with Premier Zhao before the UN General Assembly meeting in October 1985, and senior Indian officials characterized the atmosphere at the latest round of border talks as "the best ever." His conciliatory personal style has raised expectations in Beijing and led to improved relations with Washington and Islamabad.*

*Gandhi's hopes for Sino-Indian relations are tempered by the longstanding Indian distrust of China. New Delhi's suspicions stem from Beijing's support for Pakistan's nuclear and military programs, the Chinese invasion of India in 1962, and India's perception that China, Pakistan, and the United States together have frequently frustrated what it views as its legitimate ambitions in South Asia.*

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*Gandhi is in no hurry to achieve a breakthrough in Sino-Indian relations. Ultimately he hopes to work with China as an equal. Although Gandhi continues to move India into a position he views as more equidistant between the superpowers, he wants to determine the pace of those moves and will avoid efforts by Beijing to hurry the process. Moreover, Gandhi probably judges that improving relations with China will bring India few tangible economic advantages. New Delhi does not view China as a potential source of high technology. Moreover, India sees China as a rival in the competition for concessionary loans and in export markets, not a potential trading partner.*

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China probably is disappointed that Sino-Indian relations are moving forward so slowly. Beijing, however, appears pleased with Gandhi's efforts to improve India's relations with Pakistan, although Chinese officials have expressed dismay over New Delhi's recent toughening of its position on Kashmir. For example, a *People's Daily* article last year called the "moderating tendency" between New Delhi and Islamabad "gratifying." Chinese leaders were probably also heartened by Gandhi's carefully couched, but independent stand on foreign policy issues during his visit to Moscow last May. While moderating his language for the joint communique, Gandhi reiterated at a press conference in Moscow Indira Gandhi's position on Afghanistan that all outside powers should stop interfering. According to the US Embassy in New Delhi, the Indian Prime Minister also ignored Gorbachev's effort to promote the Brezhnev proposal for an Asian collective security arrangement.

### **Sino-Pakistani Relations—Still Pivotal**

Beijing continues to regard Pakistan as the linchpin of its policy in South Asia and is determined to bolster, as best it can, Pakistan's ability to resist Soviet intimidation. In addition to political support and occasional economic assistance, China has supplied military equipment to Pakistan. We estimate that Beijing made a commitment to sell Pakistan more than \$400 million worth of aircraft, boats, and assorted armament from 1980 to 1985.

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We believe Beijing's efforts to improve relations with New Delhi might cause Islamabad to worry about China's commitment to Pakistan's security. Any reduction in Chinese military assistance, however, probably reflects the growth of Islamabad's access to, and preference for, more sophisticated US weapon

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systems rather than any holding back on Beijing's part. For example, [redacted] Pakistan is considering reneging on an agreement reached in principle with China last year to purchase 160 Chinese fighter aircraft modified with US avionics and engines. The Pakistani Air Force believes these Chinese aircraft—after modification—could cost more than the more desirable US F-20 fighters. China, for its part, has sought to reassure Pakistan of its continued commitment to provide arms. [redacted]

To allay Pakistan's fears, Beijing has promoted an exchange of high-level political and military visits this past year:

- In March, Chinese President Li Xiannian stopped in Karachi on his return to Beijing from a tour of several South Asian and African countries. Pakistani President Zia-ul-Haq and Foreign Minister Yaqub Khan met with Li.
- Pakistan's Prime Minister Junejo traveled to China last November—his first foreign trip—where he met with Deng Xiaoping, Premier Zhao Ziyang, and President Li Xiannian. According to the US Embassy in Islamabad, the Chinese expressed support for Pakistan's stand on Afghanistan—that is, the issue should be resolved on the basis of the unconditional withdrawal of foreign forces.
- Last summer, Chinese Defense Minister Zhang Aiping visited Pakistan to discuss arms shipments and the military-political situation in South and Southwest Asia with President Zia, Foreign Minister Yaqub Khan, and Secretary General of Defense Rahimuddin Khan. This was the first time a Chinese defense minister had traveled to Pakistan. [redacted]

In addition, in December 1985, Pakistan received the first visit by the Chinese Navy to a foreign port since 1949. This naval tour, which included port calls in Sri Lanka and Bangladesh, symbolized the close military

as well as political relationship between China and Pakistan. China was also probably sending a message to India. [redacted]

[redacted] that Beijing's desire for improved relations with New Delhi would not lessen its commitment to Pakistan's security. [redacted]

#### Prospects: Ahead Slowly

We believe China will continue to press for better relations with India, but dramatic improvements are unlikely. China would like to see a Gandhi visit this year as a gesture of India's good faith, but, if Rajiv continues to insist on significant progress in the border negotiations first, such a visit is unlikely soon. [redacted]

China, meanwhile, will probably watch Gandhi closely during Soviet leader Gorbachev's visit to India, planned for later this year, looking for signs of change in India's attitude toward Moscow that it could exploit. Otherwise, the Chinese are likely to continue to urge Pakistan to resist Soviet pressures to deal directly with the Kabul government and to provide political and security support—in the form of economic and military aid—to buttress Pakistani security. China also will continue to encourage India and Pakistan to take steps to reduce tensions, making it easier for Beijing to mend its relationship with New Delhi while maintaining good relations with Islamabad. [redacted]

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## Nuclear Proliferation in South Asia: Implications for the United States

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Nuclear proliferation in South Asia will have profoundly disturbing implications for US security policy. Nuclear weapons in the hands of India and Pakistan would create the danger that a conventional war in the subcontinent could escalate to a nuclear war. Nuclear conflict in the subcontinent could spread to neighboring areas in the Middle East, draw in nuclear powers such as China or the Soviet Union, and even provoke a global crisis between the United States and the USSR.

Apart from heightening the risks of nuclear war, nuclear proliferation in South Asia will endanger US security interests and increase the costs of maintaining US foreign and security policy objectives by:

- Injecting destabilizing factors into the US-Soviet strategic balance in the Indian Ocean region.
- Increasing the irritants, impediments, and uncertainties in US political and security relationships with key powers in the subcontinent and adjacent regions.
- Raising the costs to the United States of supporting effective diplomatic, political, and military options in response to regional conflict contingencies.
- Presenting new opportunities to the Soviet Union for direct military intervention and for the extension of its political and military influence in the region.
- Increasing the risks and multiplying the avenues for the spread of nuclear weapons capabilities to the Middle East and Southeast Asia, with destabilizing consequences in these regions.
- Endangering the effectiveness of the nonproliferation regime and damaging the credibility of global nonproliferation objectives.

### Factors in the Strategic Balance

The strategic location of India and Pakistan makes conflict between them a matter of great sensitivity.

Both are neighbors of China and near neighbors of the Soviet Union and the Middle Eastern oil states. India and, to a lesser extent, Pakistan could affect the pattern of superpower naval deployments in the Indian Ocean in a regional crisis or conflict.

The nuclearization of India and Pakistan and the increased proliferation risks in adjacent regions are likely, over the long run, to damage the US position relatively more than the Soviet position in the regional balance of power because of the relatively greater likelihood for Soviet gain and US loss from situations of regional instability. Many pro-Western states, out of deepening anxieties or sense of alarm, may shed traditional inhibitions and become receptive to Soviet security support.

Because the United States has to project power over a greater distance to maintain its position in the regional balance, its ability to conduct military operations will be more vulnerable to the effects of regional proliferation. As a result of nuclear risks, regional states may be intimidated, or at least more inhibited, from close military cooperation with the United States, including granting US access to facilities or territories for regional contingencies. Moreover, nuclear weapons in the hands of regional powers will increase the chance that US military forces or facilities in the region will be put at risk.

Regional efforts to control nuclear weapons proliferation may affect US interests more than they do Soviet interests. Local states may be inclined, for instance, to support "nuclear-weapons-free zone" (NFZ) proposals designed to exclude the nuclear-capable forces of external powers. India and Pakistan as proliferating powers may be inclined to promote maritime NFZ concepts to restrict the size or movement of superpower naval forces in the Indian Ocean.

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Most Soviet strategic and nuclear options in the region would remain essentially intact because such proposals would not affect Soviet ground and air forces in the southern USSR that are adjacent to the region. It is even likely that the USSR could genuinely support and politically exploit such proposals, currying local favor to the disadvantage of the United States.

#### **Political Relationships**

Many of the existing tensions and rivalries between regional powers will be intensified, new lines of conflict will emerge, and political and military instability in the region will be compounded. Progress in resolving the Indo-Pakistani rivalry in South Asia, and the Arab-Israeli, intra-Arab, and Islamic sectarian conflicts in the Middle East, will be much more difficult to achieve. Under these conditions the chances of resort to nuclear terrorism by local groups or organizations, and even by certain regional states, may increase geometrically.

The increased anxieties of local states that feel threatened by Indian and Pakistani possession of nuclear weapons or by the prospect of their further spread in the adjacent regions will put greater demands on the United States (and on the Soviet Union) for security assistance. The United States will come under greater pressure to choose sides and give up some of its freedom of maneuver. This could make it more difficult for the United States to maintain its position in the US-Soviet regional balance.

Nuclear proliferation could provoke stronger security ties between China and Pakistan and between India and the USSR as each country seeks to enhance its strategic partnerships against its principal rivals. This might entail Chinese support of the Pakistani nuclear program to tie down Indian military assets locally as much as possible. But it could also lead to Soviet support of the Indian nuclear program in return for India directing its longer range capabilities against Chinese rather than Soviet targets. These links would make it easier for nuclear conflict in the subcontinent to spread or escalate to the global level.

Less likely, but a plausible alternative, would be for nuclear capabilities in South Asia to stimulate

stronger Chinese efforts to achieve a rapprochement with the USSR to limit the dangers posed by an Indo-Soviet nuclear encirclement. Moscow might even find itself simultaneously courted by both India and China. In this case, the USSR might be able to assume the role of the principal outside factor in the Asian regional balance.

#### **Dangers of Soviet Military Intervention**

The nuclearization of the subcontinent will increase the chances of Soviet military intervention in the region. The pattern of Indo-Soviet arms transfer and security relations since the mid-1960s coupled with the Soviet occupation of Afghanistan indicate that the USSR is becoming more deeply involved in South Asian political and military affairs and is increasingly willing to apply military force. Nuclearization of the subcontinent will increase Soviet incentives to attempt to control the direction and pace of Indian and Pakistani military efforts and to shape security conditions in the region.

The chances of direct Soviet military intervention in an Indo-Pakistani war increase if both states have nuclear weapons, especially if India appeals for Soviet military assistance to forestall an expected Pakistani nuclear strike. The Soviet temptation to intervene militarily could be reduced by strong opposition from a nuclear-armed India backed by credible demonstration of Indian willingness to engage Soviet military forces should they move into the subcontinent against India's will.

The nuclearization of the subcontinent will increase Soviet incentives and also open Soviet opportunities for indirect intervention in peacetime. Moscow may hope, when circumstances allow, to mediate between India and Pakistan to expand influence in both countries simultaneously. In peacetime, Soviet efforts to "ride both horses" could lead to a more aggressive program of military arms deliveries both to Pakistan and India. The quantity and quality of Soviet arms transfers to Pakistan need not be the same as for India to be attractive to Islamabad.

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The Soviets could also try to take advantage of Indian and Pakistani incentives to procure technically demanding and costly delivery systems, time-urgent warning systems, physical security measures, and suitable command and control systems for modernizing their nuclear forces. Provided discreetly, such assistance would be hard to distinguish from conventional military assistance. It would also lead to close defense production cooperation and could lead to intelligence and military cooperation and increased Soviet access to local military facilities.

In the event of an Indo-Pakistani war, it is conceivable that Moscow would consider introducing limited forces of its own—probably on the side of India, but possibly on both sides—to deter either side from using nuclear weapons. Soviet pilots and technicians, for instance, could be stationed in sensitive military facilities to help man airborne and ground-based early warning systems, but with the implicit mission of restraining host state decisions to use nuclear weapons.

#### **Potential for US-Soviet Confrontation**

The increased probability of Soviet intervention in wartime in a nuclear South Asia implies increased risks of US-Soviet military confrontation. Although the United States and the USSR have increasingly sophisticated means of avoiding accidental military confrontations, the unpredictable behavior of other actors in the region—combined with local possession of nuclear weapons—could severely burden superpower crisis management capabilities. The risks of US-Soviet confrontation as a result of warfare in a nuclearized subcontinent would be greatly compounded, for example, by concurrent crises or outbreaks of major regional conflicts in the Persian Gulf, the Middle East, or Southeast Asia.

#### **Constraints and Opportunities for US Policy**

US influence over India and Pakistan to reduce the risks of outbreak of war or a nuclear conflict will be more difficult to exert after India and Pakistan have become nuclear armed. There will be new opportunities to exercise influence because of the reality of nuclear risks, the likelihood of felt needs on both sides to avoid nuclear conflict, and technical deficiencies that may be alleviated by help from

external sources. There would be incentives in India and Pakistan (and perhaps also in China) to negotiate bilateral understandings with adversaries that would reduce the possibility of war because of misperception and miscalculation.

The likelihood of Soviet exploitation of rival Indo-Pakistani procurement efforts that result from nuclear-armed conditions in the subcontinent will present special challenges for US policymaking. A nuclear arms race between Pakistan and India could be a matter of discussion between the United States and the Soviet Union on how best to assure that local nuclear incidents will not be misunderstood by either superpower as an action instigated or initiated by the other superpower.

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**India:  
Punjab Water-Sharing Issue  
Sharpens Sikh Dispute**

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Allocation of river water from Punjab is an intractable but little-noticed issue in Sikh differences with New Delhi and neighboring Hindu majority states. Moreover, the predominantly moderate Sikh Akali Dal political party that controls the Punjab state government is concerned it could lose the support of Sikh farmers, dependent on irrigation from Punjab's rivers for their livelihood, to extremist Sikh elements if it fails to secure sufficient water resources. Meanwhile, the neighboring states of Haryana and Rajasthan, which are largely Hindu, have demanded that New Delhi protect their share of water drawn from Punjab's rivers.

**Punjab: Water Needs on the Rise**

Because Punjab is dependent on agriculture, the water-sharing issue is vital. Farming accounts for 45 percent of the state's revenue and employs about 65 percent of the population. As a result of extensive irrigation, approximately 83 percent of the state's land area is under cultivation. Three main rivers—the Sutlej, the Beas, and the Ravi—flow through the western part of the state, and underground water is also an important source of irrigation.

Punjab's growing water requirements are making it reluctant to share its river water with more arid neighboring states. Punjab farmers fear that too much water will be siphoned from the state by two large irrigation projects—the 1,000-kilometer Rajasthan canal and the 70-kilometer Sutlej-Yamuna Link (SYL) canal—being constructed by the neighboring states and central government and that a decline in agricultural production will result in some parts of Punjab.

Additional factors reinforce the reluctance of Punjab's farmers to share their water resources:

- Punjab's excessive reliance on tube well irrigation has depleted ground water resources, prompting farmer demands for access to more river water. In some areas of Punjab the water table has declined

9 meters between 1975 and 1984, according to press reports. We estimate declining ground water is threatening about one-quarter of Punjab's cultivated area.

- Efforts to boost output and farm income by employing multiple cropping and crop diversification techniques are increasing the demand for irrigation in Punjab.
- Canal construction will result in the loss of fertile land. For example, the SYL canal runs through some of Punjab's most fertile territory. Despite receiving compensation, farmers are seldom able to purchase new farms because of the scarcity of good land.
- Leakages from canals passing through Punjab are likely to result in the loss of additional land in cultivation. About 62 percent of the water carried by canal is lost through leakages that cause waterlogging and result in saline soil, according to the press.<sup>1</sup>

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**Neighbor States Experience Water Shortages**

The neighboring predominantly Hindu states of Haryana and Rajasthan claim that, because they have limited water resources, the Punjabi river waters must be shared to meet their needs. In contrast to Punjab, Rajasthan has no perennial rivers, and Haryana has only one, the Yamuna, along its eastern border.

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Like Punjab, Haryana is heavily dependent on agriculture. Farming accounts for over 50 percent of the state's revenue and over 65 percent of its

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<sup>1</sup> Water losses from unlined channels amount to about 17 percent from main canals and their branches, 8 percent from distributaries, 20 percent from water courses, and, because of evaporation, about 17 percent in the field itself, according to the Indian press.

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NESA NESAR 86-010  
25 April 1986



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employment. Haryana, however, does not have sufficient ground water or surface water available to sustain its extensive canal system, used to irrigate over 63 percent of its cultivated land. Attempts to increase agricultural output combined with the state's sometimes erratic rainfall have prompted Haryana authorities to urge New Delhi to double their share of Punjab's Ravi-Beas river system to 40 percent of the water available, according to press reports. [ ]

Rajasthan is even more desperate than Haryana for additional water supplies. About a third of the state is desert. Rainfall is erratic, resulting in drought conditions approximately once every three years in its eastern region and once every two years in the western region. The state's rivers and underground water supplies are estimated to be meager. [ ]

Boosting Rajasthan's agricultural output will depend on securing irrigation sources from outside the state—including Punjab. The Rajasthan canal, one of the most ambitious construction projects in the region, is designed to bring water from Punjab through Haryana and eventually to Rajasthan. Rajasthan officials claim that access to Punjabi river waters is a matter of life and death. [ ]

#### **New Delhi: Caught in the Middle**

New Delhi has appointed a three-man tribunal to apportion the waters. The tribunal's decision is due in late June and will be binding, according to Gandhi's public statements. [ ]

The government, however, faces critical hurdles in the settlement of this issue. The tribunal will determine the distribution based on the amount of water used by the states on 1 July 1985. Each of the three states has accused the others of submitting falsified figures on water usage, according to the press. [ ]

Because Punjab's farmers are predominantly Sikh and Haryana and Rajasthan farmers are Hindu, the religious factor complicates the already politicized water-sharing issue. If the tribunal decides in favor of Punjab, the Hindus in neighboring states will probably perceive Prime Minister Gandhi as giving in to Sikh demands. A decision in favor of Punjab's

neighboring states will alienate Sikh farmers, who constitute the power base for the moderate Punjab government. Should the Sikh farmers view New Delhi's policies as threatening their livelihood, they could well swing their support to extremist Sikh organizations, bring down the provincial government, and leave Delhi with a major security problem. [ ]

#### **Outlook**

The tribunal probably will reallocate the waters in favor of Punjab but compensate Haryana and Rajasthan with financial aid. Such a decision would minimize extremist gains among moderate Sikh farmers. The financial aid to Haryana and Rajasthan would have to be generous to avoid the loss of support for the Congress Party. [ ]

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## Nepal: Mixing Monarchy and Democracy [ ]

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King Birendra is likely to contain challenges from Nepal's fledgling opposition during the election for the National Assembly this month and gain a modest endorsement of the nonparty system of democracy he controls. Birendra probably will face tough rhetoric from Indian-backed candidates and banned opposition parties eager for reform, but the fragmented opposition appears unable to mount a sustained campaign against the monarchy. Despite a series of bombings in Nepal last June, antimonarchy extremists based in India have shown no signs of using the election as a rallying point for future terrorist action, and election violence is unlikely to go beyond thuggery among rival candidates. Still, the election will probably increase India's influence in Nepal.

[ ]

### Nepalese Politics

Nepal is a constitutional monarchy with all significant political power exercised by the throne. A 140-member National Assembly—the Rastriya Panchayat—is elected every five years from which the King appoints a Prime Minister and a Cabinet. The Constitution permits the King to nominate 28 members to the Assembly, a provision granting him an automatic core of support. The remaining 112 candidates are elected independently from 75 districts. Political parties are banned, making caste, financial resources, and ethnic origin key determinants of a candidate's success. [ ]

The Assembly election is the centerpiece of royally sanctioned political reform in Nepal. The Assembly is an important forum linking the King and key palace advisers to the concerns of the Nepalese electorate. Representatives to the National Assembly, however, cannot block political initiatives from the palace and perform only routine legislative functions at the behest of the King. [ ]

The US Embassy in Kathmandu reports Birendra fears any strong Assembly member building an independent popular base. An Assembly member with

independent political backing could win the Prime Minister's post against Birendra's wishes by forcing the King to bow to popular pressure. Moreover,

[ ] Birendra believes an independent political figure in the Assembly would invite Indian or Chinese backing, posing a threat to the monarchy and Nepalese sovereignty. [ ]

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The National Assembly is the only sanctioned forum for antigovernment dissent and is a magnet for Nepal's fragmented opposition. To spur reform some members of banned political parties are willing to renounce their formal party affiliation to gain an Assembly seat. We believe politicians within the nonparty system consider an Assembly seat the best way to gain access to the palace and also necessary for building popular opposition to the King. [ ]

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### The Banned Parties

Banned political parties are struggling to retain their membership and political relevance in Nepal's nonparty system. A referendum sponsored by King Birendra in 1980 rejected opposition demands for legalization of political parties. [ ]

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Press and Embassy reporting indicates the banned Nepali Congress Party (NCP) is the strongest member of Nepal's weak opposition and represents the only serious threat to the monarchy. The NCP claims to be the majority party of Nepal and is the only party to have formed a government during Nepal's brief experiment in 1959 with multiparty democracy. The party has built a national network but has split into three factions and, despite two decades of protest, has been unable to force King Birendra to lift his ban. For Birendra, the NCP's rhetoric is little more than an unwelcome reminder of his refusal to speed up political reform in Nepal. [ ]

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NESA NESAR 86-010  
25 April 1986

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The Communist Party of Nepal (CPN) is very small and does not represent a viable political alternative.

[ ] the CPN—though Marxist in ideology—is strongly nationalist and not responsive to either Moscow or Beijing. We believe there is little public sympathy for Communism as an ideology, especially in the conservative, tradition-bound countryside where most Nepalese live. The CPN's only access to political power in Nepal has come through fielding candidates with no formal party affiliation for election to the National Assembly. [ ]

#### **Birendra's Election Strategy**

The Assembly election will serve as the first test in five years of Nepalese support for Birendra's nonparty system, and, [ ] palace and government officials want the election to appear representative of all Nepalese political interests.

Birendra is eager for opposition participation and a heavy voter turnout to mute calls at home and abroad for more rapid political liberalization. Although Birendra would welcome participation by NCP members, he is unwilling to ease his ban on political parties and will accept only NCP candidates who swear allegiance to the nonparty system. [ ]

Birendra will also try to use the election to consolidate his power. Birendra established a special election fund to provide as much as \$24,000 each to selected Assembly candidates, [ ]

As the wealthiest backer of candidates, Birendra is well positioned to develop his core of support in the Assembly. [ ]

Nonetheless, Birendra's tightly held election fund suggests he is reluctant to share patronage with other members of the royal family who might try to develop their own followings in the Assembly. [ ]

Birendra's heavyhanded efforts to control the election have run into trouble [ ]

Birendra's candidates could face an uphill battle against candidates backed by India, the NCP, or the Communists, but we believe the King has the resources [ ] to raise enough money for his candidates to counter outside support. [ ]

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#### **Campaign Issues**

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In our view, opposition leaders will find [ ] an easy mark for antiregime attacks and could undermine some of Birendra's support in urban areas.

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A government decision to devalue the Nepalese rupee last November may hurt promonarchy candidates. The devaluation sparked sharp price rises on Nepal's consumer goods—principally imported from India—and led to widespread but ineffective strikes organized by the NCP. The US Embassy in Kathmandu reports the most rapid price rises and public protests had subsided by the end of February, suggesting Birendra's candidates may be able to sidestep the issue during the election. [ ]

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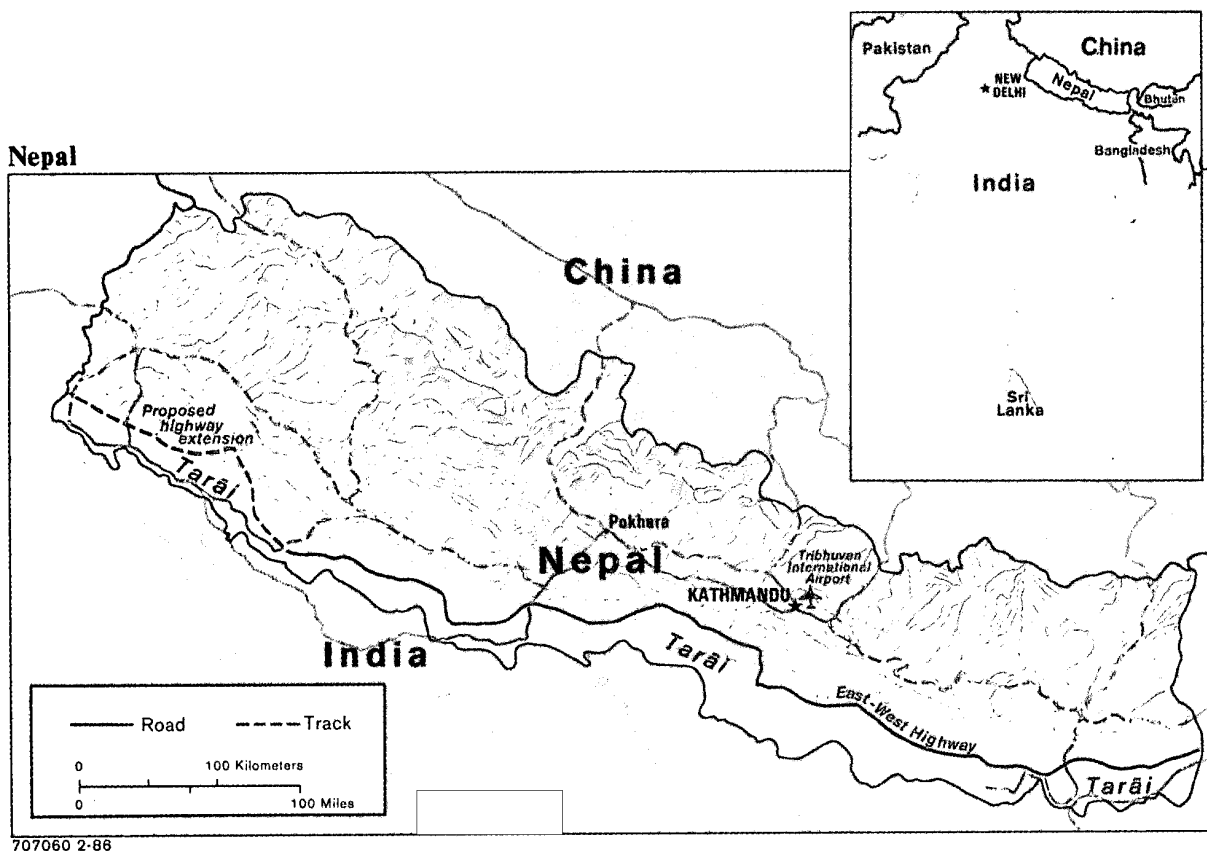
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Ethnic divisions among Nepalese also are likely to play an important role in the voting. [redacted] the palace believes inhabitants of the Terai region—Nepal's low-lying, densely populated economic center on India's border—harbor secessionist hopes threatening the unity of Nepal. Ethnic prejudices of the "hill peoples" who dominate Birendra's government have led to broad discrimination against inhabitants of the Terai—many of whom are Indian immigrants. As a result, the Terai has become a fruitful area for recruitment of supporters by dissident Nepali political factions and is likely to elect relatively few strong supporters of the King and the nonparty system. [redacted]

#### The Role of Outsiders

The election is giving New Delhi new opportunities to expand its already considerable influence in Nepal. [redacted] the growing influence of former Prime Minister S. B. Thapa—New Delhi's principal advocate in Nepal—since 1980 has greatly increased Indian influence in Nepalese politics. Senior politicians believe 45 to 65 Assembly candidates are pro-Indian and will receive funds from Thapa or directly from New Delhi. Birendra would be reluctant to appoint Thapa prime minister, but New Delhi probably hopes the King will be forced to elevate Thapa if he and his candidates win broad support in the election. [redacted]

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The strength of Thapa and his following has fueled longstanding palace fears of Indian subversion.

[redacted] Birendra has appointed teams of palace observers to collect information on all candidates for the National Assembly. The King is particularly eager for information on leftist candidates—most of whom are strongest in the Terai—whom he suspects are likely to receive New Delhi's backing. Birendra has also ordered his observers to make public speeches calling for voter patriotism and loyalty to the monarchy—a move designed to tap strong nationalist sentiment among rural Nepalese. [redacted]

New Delhi's activities are causing concern in Beijing, underscoring Nepal's role as a buffer between the regional powers. [redacted]

[redacted]

[redacted] China most likely views former Prime Minister Thapa not only as a vehicle of Indian interests in Nepal but also as a potential successor to Birendra should the monarchy fall. [redacted]

#### Outlook

The most important result of the election is likely to be the enhancement of New Delhi's political influence in Nepal. New Delhi's financial backing of Thapa and his proteges could lead to a Thapa victory. In such a case, Birendra would have little choice but to share more power with Thapa, giving India greater influence in Nepalese internal affairs. [redacted]

A Thapa victory would also provide Birendra with a strong endorsement of Nepal's nonparty system. Although Thapa's Indian ties are a threat to Birendra, his willingness to seek election on the King's terms lends legitimacy to the nonparty system. His victory would demonstrate the system's ability to incorporate opponents of the King and help vindicate Birendra's claim that no immediate liberalization is necessary. Over the long term, Birendra may have to choose

between preserving a nonparty system that gives New Delhi a foothold in Nepal or risking political liberalization. [redacted]

The failure of King Birendra to include the NCP in the election will most likely intensify opposition demands for political reform. Although some young members of the NCP may choose to participate in the election on Birendra's terms, we doubt this will be enough to mute the NCP's demands for its return to Nepal's political mainstream. The NCP and Communist factions are likely to organize strikes and further agitate as the election draws near. In our view, however, the King has adequate support among Nepalese—even in the Terai—to thwart attempts at widespread disruption. [redacted]

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